

October 1, 2001

Council of the District of Columbia

PUBLIC ROUNDTABLE ON PR 14-260, "GENERAL OBLIGATION BOND ISSUANCE AUTHORIZATION RESOLUTION OF 2001" AND PR 14-261, "GENERAL OBLIGATION BOND PROCEEDS FINANCING AUTHORIZATION RESOLUTION OF 2001"

Testimony of N. Anthony Calhoun, Deputy Chief Financial Officer, Office of Finance and Treasury, before the Committee of the Whole

Good morning, Chairman Cropp and members of the Committee of the Whole. My name is Anthony Calhoun, and I am the Treasurer and Deputy CFO for Finance and Treasury. I am pleased to appear before you today to present testimony on the General Obligation Bond Proceeds Financing Reallocation Authorization Resolution of 2001 (PR 14-261) and the General Obligation Bond Issuance Authorization Resolution of 2001 (PR 14-260).

As we have testified previously, the Office of Finance and Treasury has made a concerted effort in the last couple of years to only borrow on an as-needed basis to fund capital project spending, rather than borrowing the full amount authorized in the capital budget. One of the primary goals in implementing this practice is to minimize the amount of unspent bond proceeds and to reduce the amount of total debt outstanding.

PR 14-261 authorizes the reallocation of \$73.9 million in general obligation bond proceeds on hand to fund current projects. This reallocation reduces the amount that would need to be borrowed by \$74 million.

My office will continue to work closely with the Office of Budget and Planning to monitor agency capital spending to improve the timing and size of District borrowings. The result of this process will be a decreased amount of unspent bond proceeds and debt service expenditures.

PR 14-260 authorizes the issuance of \$213.6 million to be used for previously authorized capital projects. This \$213.6 million will fund a variety of capital projects, including public school facilities, technology improvements, government office facilities, local street improvements, and recreational facilities. Approximately \$88 million in capital expenditures on these projects have been funded temporarily with operating cash pending this bond issuance.

By optimizing the timing and size of bond issuances, we will continue to reduce the amount of unspent proceeds from year to year. For example, as of Aug. 31, 2001, there were approximately \$86 million in unspent proceeds from District bond issuances compared to \$150 million in unspent proceeds as of Aug. 31, 2000. This demonstrates that our efforts in managing financings have improved.

Based on the \$88 million in operating cash being used to fund capital projects pending this issuance and the \$86 million in unspent bond proceeds as of Aug. 31, 2001, the District's net amount of available bond proceeds is zero.

The amount of borrowing authorized in the FY 2001 capital improvement program was approximately \$493 million; however, during FY 2001, the District only borrowed \$66 million. The borrowing associated with PR 14-260 is to finance \$213.6 million of the capital financing that was approved in the FY 2001 capital improvements program. This amount is based on information supplied by the Office of Budget and Planning on the amount of funds needed to finance projects that are expected to utilize the allocated funds within the current fiscal year (including the portion that has already been spent using operating cash and requires reimbursement from bond proceeds).

The debt service expense associated with this proposed bond issuance is included in the District's proposed FY 2002 budget and financial plan. The FY 2002 budget includes additional borrowing of approximately \$350 million at the end of FY 2002. Again, actual agency capital spending will be assessed in the process of determining the actual timing and amount of such borrowing.

Chairman Cropp, members of the Committee, this concludes my testimony. I would be happy to answer any questions you might have.